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October 15, 1998

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OCT 15 1998

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Ms. Magalie Salas  
Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

re: **SBC Communications, Inc. and Ameritech Corporation Seek  
FCC Consent for a Proposed Transfer of Control  
CC Docket No. 98-141**

Dear Secretary Salas:

Please find the original and twelve copies of the Comments of the Kansas Corporation Commission in this matter. Copies of this pleading are also being provided as detailed in the FCC's Public Notice on this matter dated July 30, 1998. The pleading is also contained in Word Perfect 5.1 for Windows format on an enclosed disk, and a electronic filing will be made with the Electronic Comment Filing System. Please also find an extra copy that I ask you to stamp as filed and return to the messenger for our records.

Do not hesitate to call if I can be of assistance.

Yours truly,

**BIRCH, HORTON, BITTNER  
AND CHEROT**

  
Elisabeth H. Ross

Enclosures

cc: Bob Lehr

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Before the  
Federal Communications Commission  
Washington, D.C. 20554

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OCT 15 1998

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

**In the Matter of**

<b>SBC Communications, Inc. and Ameritech</b>	<b>)</b>	<b>CC Docket No. 98-141</b>
<b>Corporation Seek FCC Consent for a</b>	<b>)</b>	
<b>Proposed Transfer of Control and</b>	<b>)</b>	
<b>Commission Seeks Comment on Proposed</b>	<b>)</b>	
<b>Protective Order Filed by SBC and Ameritech</b>	<b>)</b>	

**COMMENTS OF THE  
KANSAS CORPORATION COMMISSION**

**John Wine, Chairman  
Susan Seltsam, Commissioner  
Cynthia Claus, Commissioner**

**October 14, 1998**

**Before the  
Federal Communications Commission  
Washington, D.C. 20554**

**In the Matter of**

**SBC Communications, Inc. and Ameritech )  
Corporation Seek FCC Consent for a Proposed )  
Transfer of Control and Commission Seeks )  
Comment on Proposed Protective Order Filed )  
by SBC and Ameritech )**

**CC Docket No. 98-141**

**COMMENTS OF THE  
KANSAS CORPORATION COMMISSION**

The Kansas Corporation Commission (KCC) of the State of Kansas submits its comments to the Federal Communications Commission (FCC) regarding the proposed transfer of control from Ameritech Corporation (Ameritech) to SBC Communication, Inc. (SBC).

**I. Introduction**

The KCC is the Kansas state agency charged with the regulation of telecommunications carriers in the state of Kansas. It is particularly driven by the public policy of the State of Kansas expressed by the Kansas Legislature:

**Telecommunications; declaration of public policy.** It is hereby declared to be the public policy of the state to: (a) Ensure that every Kansan will have access to a first class telecommunications infrastructure that provides excellent services at an affordable price; (b) ensure that consumers throughout the state realize the benefit of competition through increased services and improved telecommunications facilities and infrastructure at reduced rates; (c) promote consumer access to a full range of telecommunications services, including advanced telecommunications services that are comparable in urban and rural areas throughout the state . . .

K.S.A. 1997 Supp. 66-2001.

## **II. Concerns**

The center-piece to the proposed merger is the “National-Local Strategy”. This strategy is emphasized throughout the SBC/Ameritech filing with the FCC. It is described as:

(T)he essentially-simultaneous, facilities-based entry of the combined company into each of the Top 30 major U.S. markets outside of the area in which it would be the incumbent carrier. This element of the new strategy is designed to follow large and mid-size, in-region customers wherever they may be and to provide them with a full range of local, long distance, data and other services. At the same time, these customers will be the foundation or “anchor tenants” for the provision of service to small business and residential customers out-of-region, whom SBC and Ameritech are equally committed to serve.

Description of Transaction, Public Interest Showing and Related Demonstrations, p. 5. The implementation of this strategy will be enormously expensive--\$2 billion in capital expenditures and operating expenses exceeding \$23.5 billion over the first ten years. Kahan Aff. ¶¶40, 57, 58.

The KCC is concerned that this level of outflow of dollars to out-of-region markets will divert capital expenditures that would be made to improve the telecommunications infrastructure in Kansas. There are, after all, only so many dollars that can be generated by the new SBC. Focused attention on the “National-Local Strategy” in out-of-region markets may cause deterioration of the quality of service for in-region states such as Kansas.

The KCC is further concerned about the loss to Kansas of a credible and financially sound potential competitor--Ameritech--as a consequence of the merger. Although SBC dangles the carrot of the possibility of retaliatory entry of competitors by other incumbent LECs into its in-region states (Schmalensee/Taylor Aff. ¶16), one must question if these LECs could muster the financial wherewithal to do so in light of SBC’s insistence that it could not launch its “National-Local Strategy” without the merger. Kahan Aff. ¶75.

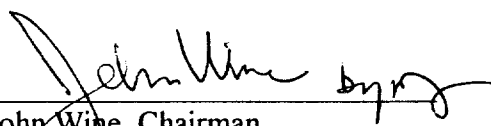
### III. Summary

SBC recognizes that its "National-Local Strategy" represents an "enormous risk". Id., ¶40. Assumption of this risk should not come at the expense of capital expenditures and quality of service in in-region states like Kansas, especially when it is the in-region customers who will be funding much of this strategy. Schmalensee/Taylor Aff. ¶16. The KCC recommends that the FCC carefully consider the effect of the proposed merger on the telecommunications infrastructures, quality of service and competitive markets within the in-region states.

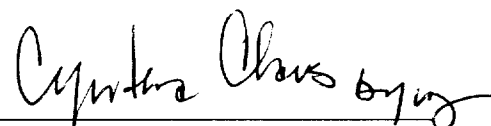
Respectfully submitted,

Kansas Corporation Commission  
1500 SW Arrowhead  
Topeka, Kansas 66604-4027

October 14, 1998

  
John Wine, Chairman

  
Susan Seltsam, Commissioner

  
Cynthia Claus, Commissioner